

TOWNSHIP OF BESSEMER - RAMSAY, MI
GOGEBIC COUNTY
FINANCIAL REPORT
With Supplemental Information

March 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Bessemer	County Gogebic
Audit Date 3/31/05	Opinion Date 7/7/05	Date Accountant Report Submitted to State: 9/20/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the comments and recommendations

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SEP 23 2005


LOCAL AUDIT & FINANCE DIV.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Roger J. Kolehmainen PC			
Street Address 1445 East US 2	City Ironwood	State MI	ZIP 49938
Accountant Signature 		Date 9/20/05	

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Roger J. Kolehmainen CPA PC

1445 East Cloverland Drive

Ironwood, MI 49938

(906) 932-3600

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of Bessemer
Ramsay, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Township of Bessemer as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis in our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Township of Bessemer as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments: Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* as of April 1, 2004.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting and Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements of the Township of Bessemer, Ramsay, Michigan, taken as a whole. The combining and individual fund financial statements listed in the table of contents under supplemental information are presented for the purpose of additional analysis and are not a required part of the financial statements of the Township of Bessemer. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated July 7, 2005, on our consideration of Township of Bessemer's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Roger J. Kolehmainen PC
Certified Public Accountant

Ironwood, Michigan
July 7, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF BESSEMER

Year ended March 31, 2005

Management's Discussion and Analysis

This section of the Township of Bessemer's annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2005. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Government* and is intended to provide the financial results for the fiscal year ending March 31, 2005. This is the first year of GASB 34 implementation. As a result the financial report is presented very differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. These are new statements that have not been required or provided in past years but are now required based on government auditing and accounting standards. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF BESSEMER

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains two governmental funds. Information is presented separately in the government fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund (considered a major fund) and the Township park operations which are non-major governmental fund.

Individual fund data for each fund is presented separately in the "Other Supplemental Information" section of this report.

The Township adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the "Required Supplemental Information" section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF BESSEMER

Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has four proprietary fund types- enterprise funds. The enterprise funds of the Township are used to report the same functions as the business-type activities in the government-wide financial statements. The Water and Sewer Funds is presented in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the government-wide and the fund financial statements.

Government-wide Financial Statements-Condensed Financial Information

Statement of Net Assets

The following table shows the March 31, 2005, condensed statement of net assets with a detailed analysis of the statement below.

	Governmental	Primary Government Business-Type	
ASSETS	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and other assets	\$190,432	\$117,443	\$307,875
Other assets	336,402	202,321	538,723
Non-current Assets			
Restricted cash	83,793	94,986	178,779
Capital Assets, net	426,009	1,023,975	1,449,984
TOTAL ASSETS	<u>\$1,036,636</u>	<u>\$1,438,725</u>	<u>\$2,475,361</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF BESSEMER

	Governmental	Primary Government	
	<u>Activities</u>	Business-Type	<u>Total</u>
LIABILITIES		<u>Activities</u>	
Current Liabilities	\$36,654	\$157,630	\$194,284
Non-current Liabilities	1,247	391,500	392,747
TOTAL LIABILITIES	\$37,901	\$549,130	\$587,031
NET ASSETS			
Investment in capital assets net of related debt	\$426,009	\$632,475	\$1,058,484
Restricted	83,793		83,793
Unrestricted	488,933	257,120	746,053
Total Net Assets	\$998,735	\$889,595	\$1,888,330

For governmental activities, net assets increased by \$37,829 during the fiscal year. For business-type activities, net assets decreased by \$25,960 during the year.

Results of Operations

The following represents the changes in net assets for both governmental and business-type activities for the year ended March 31, 2005.

	Governmental	Primary Government	
	<u>Activities</u>	Business-Type	<u>Total</u>
REVENUES		<u>Activities</u>	
Program Revenue:			
Charges for services	\$64,685	\$280,826	\$345,511
General Revenue:			
Property taxes	302,033		302,033
Other income	5,720		5,720
Unrestricted grants	110,188		110,188
Transfers from other funds	62,101		62,101
Total Revenue	\$544,727	\$280,826	\$825,553

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF BESSEMER

	Governmental	Primary Government Business-Type	
EXPENSES:	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
General Government	\$214.022		\$214.022
Public Safety	66.642		66.642
Public Works	161.255		161.255
Recreation and Culture	14.252		14.252
Community Development	17.150		17.150
Other Expenses	33.577		33.577
Total Expenses	\$506.898	\$	\$506.898
Business-Type Activities:			
Water & Sewer Expenses		\$306.786	\$306.786
Increase (Decrease) in Net Assets	\$37.829	(\$25.960)	\$11.869
Net Assets, Beginning of Year	960.906	915.555	1.876.461
Net Assets, End of Year	\$998.735	\$889.595	\$1.888.330

Governmental Activities

Property taxes and other tax revenues comprise \$302.033 or approximately 63 percent of total governmental revenues. The Township also collected \$64.685 for services provided. And, at year end the Township reported \$110.188 in grants not restricted for specific purposes. This amount was due to revenue sharing from the State of Michigan and comprises 23 percent of total governmental revenues.

The Township expended \$506.898 on governmental programs and services. Some of the largest expense categories were for general government and public works where \$214.022 (42%) and \$161.255 (32%), respectively, were reported.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF BESSEMER

Business-Type Activities

Business-type activities decreased the Township's net assets by \$25,960. Charges for services for water and sewer activities for the year were \$280,826 and expenditures amounted to \$306,786. Besides water and contractual services, the Township's financial commitment to Gogebic Range Water Authority for administrative support and debt service payments amounted to \$54,065. Also, it will be necessary to adjust water rates in the near future to raise additional cash reserves to defray unanticipated expenditures.

Financial Analysis of Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

Governmental Funds

The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Township's governmental funds reported combined ending fund balances of \$573,973 of which \$83,793 is reserved and the remaining \$490,180 is available for spending at the government's discretion.

On the budgetary basis of accounting, the Township ended the year with revenue 6% greater than the budget and expenditures 24% less than the budgeted amount. Significant negative expenditures variances were recorded for general government and capital outlay.

Proprietary Fund

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Funds as of March 31, 2005 were \$18,602 and \$238,518 respectively.

Capital Assets and Debt Administration

The Township's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities as of March 31, 2005 was \$1,449,984.

Major capital expenditures for governmental funds were for Township's infrastructure right of way improvements on County Roads, which required a local match of \$68,197.

Other Economic Factors and Next Years Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Township of Bessemer
E-5056 Mill Street
Ramsay, MI

TOWNSHIP OF BESSEMER
STATEMENT OF NET ASSETS
March 31, 2005

	<u>Government Activities</u>	<u>Business – type Activities</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$190,432	\$117,443	\$307,875
Accounts receivable-net	31,851	86,823	118,674
Delinquent taxes receivable	25,044		25,044
Due from other funds	270,232	109,627	379,859
Accrued interest income	168	36	204
Deferred charges	3,452		3,452
Inventory (at cost)	5,655	5,835	11,490
TOTAL CURRENT ASSETS	\$526,834	\$319,764	\$846,598
NON-CURRENT ASSETS			
Restricted cash	83,793	94,986	178,779
Capital assets	1,006,752	1,896,699	2,903,451
Accumulated depreciation	(580,743)	(872,724)	(1,453,467)
TOTAL NON-CURRENT ASSETS	509,802	1,118,961	1,628,763
TOTAL ASSETS	\$1,036,636	\$1,438,725	\$2,475,361
LIABILITIES			
Current Liabilities:			
Accounts payable	\$25,627	\$20,306	\$45,933
Accrued wages/taxes	11,027	1,294	12,321
Accrued interest payable		5,953	5,953
Due to other funds		125,577	125,577
Current maturity on long-term debt		4,500	4,500
TOTAL CURRENT LIABILITIES	\$36,654	\$157,630	\$194,284
NON-CURRENT LIABILITIES			
Bonds payable		396,000	396,000
Current maturity on long-term debt		(4,500)	(4,500)
Accrued compensated absences	1,247		1,247
TOTAL NON-CURRENT LIABILITIES	1,247	391,500	392,747
TOTAL LIABILITIES	\$37,901	\$549,130	\$587,031
NET ASSETS			
Investment in capital assets, net of related debt	\$426,009	\$632,475	\$1,058,484
Reserve for equipment replacement	83,793		83,793
Unreserved	488,933	257,120	746,053
TOTAL NET ASSETS	\$998,735	\$889,595	\$1,888,330
TOTAL LIABILITIES AND NET ASSETS	\$1,036,636	\$1,438,725	\$2,475,361

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
STATEMENT OF ACTIVITIES
Year Ended MARCH 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	Net (Expense) Revenue
Governmental Activities			
General government	\$214,022	\$	(\$214,022)
Public safety	66,642	5,403	(61,239)
Public works	161,255	47,089	(114,166)
Recreation and culture	14,252		(14,252)
Community development	17,150		(17,150)
Other	33,577	12,193	(21,384)
Total Governmental Activities	\$506,898	\$64,685	(\$442,213)
Business-type Activities			
Water	\$202,612	\$194,111	(8,501)
Sewer	104,174	85,340	(18,834)
Total Business – type Activities	\$306,786	\$279,451	(\$27,335)
Total	\$813,684	\$344,136	(\$469,548)

Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business – type Activities</u>	<u>Total</u>
Net (Expense) Revenue	(\$442,213)	(\$27,335)	(\$469,548)
General Revenues:			
Property taxes	302,033		302,033
State-Shared revenues	110,188		110,188
Investment income	5,720	1,375	7,095
Transfers	62,101		62,101
Total General Revenues and Transfers	\$480,042	1,375	\$481,417
Changes in Net Assets	\$37,829	(\$25,960)	\$11,869
Net Assets at Beginning of Year	960,906	915,555	1,876,461
Net Assets at End of Year	\$998,735	\$889,595	\$1,888,330

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$190,432	\$	\$190,432
Accounts receivable-net	31,851		31,851
Delinquent taxes receivable	25,044		25,044
Due from other funds	270,232		270,332
Accrued interest income	168		168
Deferred charges	3,452		3,452
Inventory (at cost)	5,655		5,655
TOTAL CURRENT ASSETS	\$526,834	\$	\$526,834
NON-CURRENT ASSETS			
Restricted cash	83,793		83,793
TOTAL NON-CURRENT ASSETS	83,793		83,793
TOTAL ASSETS	\$610,627	\$	\$610,627
LIABILITIES			
Current Liabilities			
Accounts payable	\$25,627	\$	\$25,627
Accrued wages/taxes	11,027		11,027
TOTAL CURRENT LIABILITIES	\$36,654	\$	\$36,654
TOTAL LIABILITIES	\$36,654	\$	\$36,654
FUND BALANCES			
Reserve for equipment replacement	83,793		83,793
Unreserved	490,180		490,180
TOTAL FUND BALANCES	\$573,973		\$573,973
TOTAL LIABILITIES AND FUND BALANCES	\$610,627	\$	\$610,627

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balances for Governmental Funds	\$573,973
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of :	426,009
Long-term liabilities, compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	(1,247)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$998,735

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$261,034	\$	\$261,034
Other taxes	21,528		21,528
Tax administrative fees	19,471		19,471
Licenses and permits	5,403		5,403
Rentals		175	175
State shared revenues	110,188		110,188
Charges for services	47,089		47,089
Interest	5,313	407	5,720
Other revenue	12,018		12,018
	<u>\$482,044</u>	<u>\$582</u>	<u>\$482,626</u>
EXPENDITURES			
Legislative	\$68,178	\$	\$68,178
General government	155,846		155,846
Public safety	26,719		26,719
Public works	158,748		158,748
Recreation and culture	7,025	6,224	13,249
Community development	17,150		17,150
Other	33,577		33,577
	<u>\$467,243</u>	<u>\$6,224</u>	<u>\$473,467</u>
EXCESS OF REVENUES (EXPENDITURES)	14,801	(5,642)	9,159
OTHER FINANCING SOURCES (USES)			
Transfers to/from other funds	62,101	(62,101)	
EXCESS OF REVENUES EXPENDITURES) AND OTHER FINANCING USES	\$76,902	(\$67,743)	\$9,159
Fund Balance at 3/31/2004	497,071	67,743	564,814
FUND BALANCE MARCH 31, 2005	<u><u>\$573,973</u></u>	<u><u>\$</u></u>	<u><u>\$573,973</u></u>

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended March 31, 2005

Continued

Reconciliation of the change in fund balances – Total Governmental Funds to the changes in net assets of governmental activities:

Net change in fund balances – Total Governmental Funds	\$9,159
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	\$80,170
Depreciation expense	(50,253)

Some expenses reported in the Statement of Activities such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	(1,247)
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Change in Net Assets of Governmental Activities	<u>\$37,829</u>
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The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL
GENERAL FUND
Year ended March 31, 2005

	Budgeted Amounts			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Taxes	\$242.019	\$242.019	\$261.034	\$19.015
Other taxes	32.050	32.050	21.528	(10.522)
Tax administrative fees	22.000	22.000	19.471	(2.529)
Licenses and permits	6.000	6.000	5.403	(.597)
Rentals				
State shared revenues	107.500	107.500	110.188	2.688
Charges for services	36.500	36.500	47.089	10.589
Interest	4.500	4.500	5.313	813
Other revenue	4.500	4.500	12.018	7.518
	<u>\$455.069</u>	<u>\$455.069</u>	<u>\$482.044</u>	<u>\$26.975</u>
EXPENDITURES				
Legislative	\$96.500	\$78.000	\$68.178	\$9.822
General government	206.340	208.948	155.846	53.102
Public safety	28.750	27.750	26.719	1.031
Public works	192.650	211.150	158.748	52.402
Recreation and culture	10.800	10.800	7.025	3.775
Community development	17.000	17.000	17.150	(.150)
Other	64.468	62.953	33.577	29.376
	<u>\$616.508</u>	<u>\$616.601</u>	<u>\$467.243</u>	<u>\$149.358</u>
EXCESS OF REVENUES (EXPENDITURES)	(161.439)	(161.532)	14.801	176.333
OTHER FINANCING SOURCES (USES)				
Transfers to/from other funds			62.101	62.101
EXCESS OF REVENUES EXPENDITURES) AND OTHER FINANCING USES	(\$161.439)	(\$161.532)	\$76.902	\$238.434
Fund Balance at 3/31/2004	497.071	497.071	497.071	
FUND BALANCE MARCH 31, 2005	<u>\$335.632</u>	<u>\$335.539</u>	<u>\$573.973</u>	<u>\$238.434</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
March 31, 2005

	Business type Activities- Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$60,742	\$56,701	\$117,443
Accounts receivable-net	47,524	39,299	86,823
Due from other funds	7,563	102,064	109,627
Accrued interest income	36		36
Deferred charges			
Inventory (at cost)	5,835		5,835
Total Current Assets	\$121,700	\$198,064	\$319,764
RESTRICTED ASSETS:			
Cash		94,986	94,986
Total Restricted Assets		94,986	94,986
NONCURRENT ASSETS:			
Property, plant and equipment	140,337	1,756,362	1,896,699
Accumulated depreciation	(124,921)	(747,803)	(872,724)
Total Non-Current Assets	15,416	1,008,559	1,023,975
TOTAL ASSETS	\$137,116	\$1,301,609	\$1,438,725
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	\$17,485	\$2,821	\$20,306
Accrued wages/taxes	1,294		1,294
Contractor payable			
Accrued interest payable		5,953	5,953
Due to other funds	84,319	41,258	125,577
Current maturity on long-term debt		4,500	4,500
Total Current Liabilities	\$103,098	\$54,532	\$157,630
LONG TERM LIABILITIES			
Revenue bonds payable		396,000	396,000
Less current maturity on long-term debt		(4,500)	(4,500)
TOTAL LIABILITIES		391,500	391,500
NET ASSETS:			
Investment in capital assets, net of related debt	15,416	617,059	632,475
Unreserved	18,602	238,518	257,120
TOTAL NET ASSETS	\$34,018	\$855,577	\$889,595
TOTAL LIABILITIES AND NET ASSETS	\$137,116	\$1,301,609	\$1,438,725

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS TYPE
Year ended March 31, 2005

Business type Activities - Enterprise Funds			
	<u>Water Fund</u>	<u>Sewer Funds</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$177,052	\$85,190	\$262,242
Other revenues	10,050		10,050
Total Operating Revenues	\$187,102	\$85,190	\$272,292
Operating expenses:			
Wages and taxes	\$25,940	\$6,563	\$32,503
Water purchased/contract cost	80,479	19,889	100,368
Provision for depreciation	1,182	44,534	45,716
Operating supplies/maintenance	20,497	4,358	24,855
Utilities	6,579	7,266	13,845
Insurance	2,748		2,748
Administration	11,122	2,292	13,414
Transportation		1,434	1,434
Contributions-GRWA	54,065		54,065
Total Operating Expenses	\$202,612	\$86,336	\$288,948
Operating income (loss)	(\$15,510)	(\$1,146)	(\$16,656)
Non-operating revenues (expenses)			
Interest income	411	964	1,375
Debt service/tap in fees	7,009	150	7,159
Bond interest expense		(17,838)	(17,838)
Net Income (loss) before Transfers	(\$8,090)	(\$17,870)	(\$25,960)
Change in Net Assets	(\$8,090)	(\$17,870)	(\$25,960)
Net Assets - March 31, 2004	42,108	873,447	915,555
NET ASSETS - MARCH 31, 2005	\$34,018	\$855,577	\$889,595

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS TYPES
 TOWNSHIP OF BESSEMER
 Year ended March 31, 2005

	Business type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Cash flows from operating activities:			
Income from operations	(\$15,510)	(\$1,146)	(\$16,656)
Adjustments to reconcile income from operations to net cash Provided by operating activities:			
Depreciation	1,182	44,534	45,716
(Increase) decrease in:			
Accounts receivable	2,648	78,176	80,824
Due from other funds	(6,413)	(14,154)	(20,567)
Inventory	4,139		4,139
Increase (decrease) in:			
Accounts payable	9,887	(83,415)	(73,528)
Accrued payroll/taxes	(184)		(184)
Due to other funds	16,784	4,286	21,070
Accrued interest payable		(38)	(38)
Total adjustments	28,043	29,389	57,432
Net Cash Provided by Operating Activities	\$12,533	\$28,243	\$40,776
Cash flows from capital and related Financing activities:			
Capital additions	(2,163)		(2,163)
Bond and debt retirement proceeds	7,009	150	7,159
Revenue bonds principal paid		(2,500)	(2,500)
Bond interest paid		(17,837)	(17,837)
Net cash provided (used) for capital and related financing activities	\$4,846	(\$20,187)	(\$15,341)
Cash flows from investment activities:			
Interest income	\$411	\$964	\$1,375
Net increase (decrease) in cash and cash equivalents	\$17,790	\$9,020	\$26,810
Cash and Cash Equivalents, March 31, 2004	42,952	142,667	185,619
Cash and Cash Equivalents, March 31, 2005	\$60,742	\$151,687	\$212,429

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
Year ended March 31, 2005

		Agency Funds
<hr/>		
<hr/>		
ASSETS		
Cash and cash equivalents		\$324,785
Due from other funds		
	TOTAL ASSETS	<u>\$324,785</u>
LIABILITIES		
Due to other funds		\$254,282
Due to others		70,503
	TOTAL LIABILITIES	<u>\$324,785</u>

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Township of Bessemer was organized in the late 1800's under the Northwest Ordinance of 1787. It operates with an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services.

The Township complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended March 31, 2005, the Township implemented the new financial reporting requirement of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is place on major funds within the governmental and proprietary categories. A fund is considered major if its is the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds in that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

General Fund - is the primary operating fund of the Township and always classified as a major fund. . This fund is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds report operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The funds are used to account for utility operations in a manner similar to private business enterprises. The intent of the Township is to recover operating expenses, including depreciation, through user charges.

FIDUCIARY FUND TYPE (Not included in government-wide statements)

Agency Funds - These funds are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. They include the Tax Collection Fund and the Trust and Agency Fund. These funds are custodial in nature and do not involve measurement of results of operations. The Trust and Agency Fund was inactive for the year ended March 31, 2005.

MAJOR AND NONMAJOR FUNDS

The governmental and enterprise funds of the Township are further classified as major and nonmajor funds as follows:

<u>Fund</u>	<u>Brief Description</u>
<u>MAJOR FUNDS</u>	
1. General	See above for description.
2. Water	Account for revenues and expenses of providing Water services to the public.
3. Sewer	Account for revenues and expenses of providing Sewer services to the public.
<u>NONMAJOR FUNDS</u>	
4. Park Fund	Account for revenues and expenditures of Park system.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Township. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. See Note H for details of interfund transactions, including receivables and payable at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include service revenue accruals since they are usually both measurable and available. Interest and investment earnings are recorded when accrued. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. No allowances for uncollectible accounts receivable are recognized since any delinquencies can be placed upon the tax roll.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Inventories

Inventories of Governmental Fund types operating supplies and Proprietary Fund (Water Fund) types are valued at cost and inventory is taken at year end by Township's representatives.

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial individual costs of \$1,500 and \$100 and an estimated life in excess of two years for governmental funds and proprietary funds, respectively. All fixed assets are valued at historical costs except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets for governmental funds. Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' statement of net assets. Depreciation has been provided over the useful lives using the straight-line method of depreciation. Depreciation on assets acquired by grants externally restricted for capital construction is accounted for as a reduction of contributed capital rather than as a decrease in retained earnings.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Utility Plant	40-50 Years
Buildings	40-50 Years
Equipment	5-10 Years
Vehicles	5 Years
Infrastructure (ROW)	20 Years

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to cash accounts established to be used for capital outlay purchases/projects and debt retirement.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations of proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable and accrued compensated absences. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and components units that are controlled by or dependent on the Township's executive or legislative branches.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County and School District. The Township records delinquent real property taxes as revenue upon levy; since the County will sell tax notes and remits monies to the various units of government shortly after year end.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Budgets

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted prior to the fiscal year by the majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. Any revisions to the budgeted amounts must be approved by a majority vote of the Township Board.
7. Budget appropriations lapse at the end of each fiscal year.
8. Budgeted amounts presented in the financial statements are as originally adopted and amended by the Township Board.

Formal budgets for one special revenue funds were not available whereas, budgets are not required for the operations of the Proprietary Fund types.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Proprietary Fund Type consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Interest Expense

Interest on bonded indebtedness is recorded as expenditure as accrued.

Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

NOTE B - CASH

Statutes authorize the Township to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services: United

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

States government or a agency obligation repurchases agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All accounts are in the name of the Township and the Township holds certificates of deposit. They are recorded in the Township records at cost. Interest is recorded when the interest is accrued. Certificates of Deposit are recorded at cost, which approximates market value.

Following is a summary of the carrying amount of cash at March 31, 2005:

Cash deposited in banks insured by federal depository insurance	\$415,373
Cash on hand	97
Funds in excess of insurance limits	398,199
Less outstanding items	<u>(2,230)</u>
Total	<u>\$811,439</u>

NOTE C - RECEIVABLES

Accounts receivable and related allowances for uncollectible are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
General Fund	\$56,895	\$	\$56,895
Water Fund	\$47,524	\$	\$47,524
West End Sewer	\$23,917	\$	\$23,917
Anvil Sewer	\$ 5,426	\$	\$ 5,426
Ramsay Sewer	\$ 9,956	\$	\$ 9,956

General Fund - generally consists of delinquent tax monies and administrative fees; reimbursable preliminary engineering fees from an Anvil Project; and solid waste disposal fees.

Proprietary Funds - customer unpaid balances. Trade accounts receivable were comprised of the following at March 31, 2005.

Customer billing for the quarter ended March 2005	\$56,500
Delinquent billings	<u>5,628</u>
Total	<u>\$62,128</u>

Delinquent account balances are placed on tax rolls and can be a lien against real property. Receivables are considered to be fully collectible and accordingly, there is no allowance for doubtful accounts. West End Sewer Fund reflects a receivable of \$14,672 for preliminary engineering fees paid towards a USDA funded planning grant study completed. These engineering costs should be reimbursable upon final billing to USDA.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE D - SUMMARY OF TAX ROLL

Following is a summary of the 2004 property tax roll:

	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Collected</u>
Real/Personal Property taxes:			
County	\$294,682	\$26,792	\$267,890
School/SET	773,913	55,403	718,510
Township	261,206	23,750	237,456
CFR	22,422	4,618	17,804
SAD	85,041	18,897	66,144
Delinquent Utilities			
Totals:	<u>\$1,437,264</u>	<u>\$129,460</u>	<u>\$1,307,804</u>

NOTE E - DELINQUENT TAX RECEIVABLE

The County of Gogebic purchases the delinquent real property taxes of the Township for the 2004 levied. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these delinquent taxes shortly after yearend. The delinquent real property taxes are recorded as current year tax revenues.

NOTE F - PUBLIC ACT 275 OF 1980 DISCLOSURE

The Township had no deficits in any funds as of March 31, 2005, which would require specific disclosure.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE H - INTERFUND RECEIVABLES AND PAYABLE

The amounts of interfund receivables and payable at March 31, 2005, are as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Funds</u>	<u>Interfund Payable</u>
General-		Tax Fund-	
Water Fund	\$12,419	General Fund	\$248,308
Tax Fund	248,308	Water Fund	5,974
West End Sewer	7,852	West-End Sewer-	
Anvil Sewer	1,526	Water Fund	1,589
Ramsay Sewer	127	General Fund	7,852
West End Sewer-		Ramsay Sewer-	
Ramsay Sewer	4,311	Anvil Sewer	25,853
Anvil Sewer-		West End Sewer	4,311
Water Fund	46,851	General Fund	127
Ramsay Sewer	25,853	Anvil Sewer-	
Water Fund-		General Fund	1,526
West End Sewer	1,589	Water Fund-	
Tax Fund	5,974	Ramsay Sewer	25,049
Ramsay Sewer-		General Fund	12,419
Water Fund	25,049	Anvil Sewer	46,851
Totals	<u>\$379,859</u>	Totals	<u>\$379,859</u>

NOTE I - CAPITAL ASSETS

A summary of changes in general fixed assets follow:

Governmental Activities	Balance at			Balance at
Capital Assets not Depreciated	<u>March 31, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>March 31, 2005</u>
Land	\$12,928	\$	\$	\$12,928
Capital Assets being Depreciated				
Buildings and improvements	429,014	10,367		439,381
Equipment, fixtures, furniture	484,640	1,606		486,246
Infrastructure		68,197		68,197
Subtotals	<u>\$913,654</u>	<u>\$80,170</u>	<u>\$</u>	<u>\$993,824</u>

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Governmental Activities	Balance at March 31, 2004	Additions	Deletions	Balance at March 31, 2005
Less Accumulated Depreciation for:				
Building and improvements	(\$141.805)	(\$9.070)	\$	(\$150.875)
Equipment, fixtures and furniture	(388.685)	(39.923)		(428.608)
Infrastructure		(1.260)		(1.260)
Subtotals	(\$530.490)	(\$50.253)	\$	(\$580.743)
Net Capital Assets Being Depreciated	\$383.164	\$29.917		\$413.081
Governmental Activities Capital	\$396.092	\$29.917	\$	\$426.009
Total Capital Assets-Net of Depreciation				

NOTE J - ENTERPRISE FUNDS - CAPITAL ASSETS

A summary of proprietary fund type property, plant and equipment at March 31, 2005 follows:

Business-Type Activities	Balance at March 31, 2004	Additions	Deletions	Balance at March 31, 2005
Capital Assets not Depreciated				
Land and land rights	\$5.001	\$	\$	\$5.001
Capital Assets being Depreciated				
Equipment	69.623			69.623
Utility plant	1,819.912	2.163		1,822.075
Subtotals	\$1,889.535	\$2.163	\$	\$1,891.698
Less Accumulated Depreciation for Equipment and Utility plant	(827.008)	(45.716)		(872.724)
Net Capital Assets Being Depreciated	\$1,062.527			\$1,018.974
Governmental Activities Capital	\$1,067.528	(\$43.553)	\$	\$1,023.975
Total Capital Assets-Net of Depreciation				

Depreciation is computed using the straight-line method.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE K – JOINT VENTURES

GOGEBIC RANGE WATER AUTHORITY

Bessemer Township is a member of Gogebic Range Water Authority, which was created in 1977 by the Cities of Bessemer and Wakefield and the Townships of Bessemer, Wakefield and most recently the Charter Township of Ironwood joined. The purpose of the authority is to develop water sources for its members and others.

The governing board of the Authority consists of eleven members, two appointed by each of the constituent's municipalities and one at large member appointed by the board of directors. The members have no control over budgeting and financing other than the input of its two board members on the authority board. The Authority operates independent from its member municipalities and is not considered to be a component unit of the Township.

Separate financial statements of the Authority are available through their representatives at PO Box 445, Ramsay, Michigan. A condensed summary of the Authority's activities for the year ended June 30, 2003, is as follows:

Total Assets	\$9,178,827
Total Liabilities	\$4,088,909
Total Equity	\$5,089,918
Total Revenues	\$ 445,455
Total Expenditures	<u>\$ 128,234</u>
Net Increase in Equity	<u>\$ 317,221</u>
Authority debt is as follows:	
Current	\$ 557,909
Long Term	<u>3,531,000</u>
Total Debt	<u>\$4,088,909</u>

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

All debt of the Authority is expected to be paid by the revenues of the authority. On October 5, 2000 and April 1, 2003, the Authority issued Water System No. 1 Limited Tax General Obligation Bonds, Series 2000 and 2003. Series 2000 and 2003 were issued for \$2,833,000 and \$1,339,000 bearing interest rates of 4.5% and 3.25%, respectively. These were single issue bonds purchased by USDA-Rural Development. The second Limited Tax Obligation bonds issued, City of Bessemer (79.8%) and Bessemer Township (20.2%) will be responsible for providing monies with which the debt will be repaid. In providing assurances, water purchases agreements have been signed which require the municipalities to purchase water from the Authority for the next forty years. The Authority charges Bessemer Township for water sold to them. Construction and related financing costs are allocated and billed by the Authority to the member municipalities. The Authority based upon percentage of participation by each member, developed on a project-by-project basis, bills charges for these services. The financial dependency for future debt retirement payments could be adjusted based on rate charges to each member for water consumed and/or system expansion/improvements. Annual aggregate maturities for the bonds for years subsequent to June 30, 2003, are as follows:

Year ending June 30,	Series 2000		Series 2003		Total
	Principal	Interest	Principal	Interest	
2004	\$30,000	\$123,750	\$16,000	\$25,204	\$194,954
2005	32,000	122,400	17,000	42,998	214,398
2006	33,000	120,960	18,000	42,445	214,405
2007	34,000	119,475	18,000	41,860	213,335
2008	36,000	117,945	18,000	41,275	213,220
2009-2013	206,000	563,895	104,000	196,885	1,070,780
2014-2018	257,000	513,180	124,000	178,685	1,072,865
2019-2023	320,000	450,000	144,000	157,235	1,071,235
2024-2028	399,000	371,115	172,000	132,145	1,074,260
2029-2033	497,000	272,880	204,000	102,310	1,076,190
2034-2038	619,000	150,613	232,000	67,145	1,068,758
2039-2043	287,000	25,830	272,000	27,105	611,935
	<u>\$2,750,000</u>	<u>\$2,952,043</u>	<u>\$1,339,000</u>	<u>\$1,055,292</u>	<u>\$8,096,335</u>

See audit report footnote on Contingent Liabilities as to past funding participation.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

BESSEMER AREA SEWER AUTHORITY

Bessemer Township is a member of the Bessemer Area Sewer Authority, which was formed in 1985 by the City of Bessemer and Township of Bessemer, as a joint venture. The purpose of the Authority is to construct and operate a sewage disposal system in accordance with Act 233, Public Acts of Michigan, 1955 as amended. The BASA operates under a board of directors comprising of members from the two municipalities.

As a joint venture, the BASA operates independent from the member municipalities and is not considered a component unit of the Township. Separate financial statements of the BASA are available at the office of the BASA located at E7840 Stone Road, Bessemer, Michigan.

A condensed summary of the BASA activities as of June 30, 2003, is as follows

Total Assets	\$8,444,305
Total Liabilities	\$2,576,959
Total Equity	\$5,867,346
Total Revenues	\$ 329,696
Total Expenditures	298,447
Net Increase in Equity	\$ 31,249
Total Authority debt is as follows:	
Current	\$ 77,959
Long Term	2,499,000
Total Debt	\$2,576,959

All BASA debt is expected to be paid by the revenues of the authority. On June 17, 1987 issued \$1,700,000 of Sewage Disposal System No. 1 Bonds (Limited Tax General Obligation) pursuant to Act 233, Public Acts of Michigan, 1955, as amended. The Authority has entered into a contract with each of the constituent municipalities whereby the municipalities have each pledged its limited tax full faith and credit for the payment of the municipality's share of the obligation. The municipalities will be required to levy ad valorem taxes within applicable constitutional and statutory limitations on all taxable property within their boundaries to the extent necessary to make the payments required to pay principal and interest on the bonds if other funds for that purpose are not available. Bonds are payable in annual installments due on May 1 of each year with interest installments at the annual rate of 5% a year, due on May 1 and November 1 of each year.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

On May 11, 1998, a second Sanitary Sewage Disposal System Revenue Bonds of \$1,237,000 bearing an annual interest rate of 4.5% were issued. The same payment dates as above apply to this issuance.

Since the Authority has been able to fulfill their payment obligations with revenues charged its customers, no debt payment schedules are disclosed.

POWDERHORN AREA UTILITY DISTRICT

Bessemer Township is a member of the Powderhorn Area Utility District (PAUD), which was formed on December 11, 2001 as a municipal authority under provisions of Act 233 of Public Acts of Michigan, 1955, as amended. The municipalities forming the District were the Charter Township of Ironwood and Township of Bessemer, as a joint venture. The purpose of the PAUD is to acquire, construct, owning, extending, improvement, operating, repairing and administering a sewage disposal and a water supply system. and operate a sewage disposal system in accordance with Act 233, Public Acts of Michigan, 1955 as amended. PAUD operates under a board of directors consisting of three members, one appointed by the Township Board and two from the Township of Ironwood. PAUD operates independent from the member municipalities and is not considered a component unit of the Township. PAUD maintains its own financial statements and is available through their representative located at PO Box 455, Ramsay, MI.

The District is in the final phase of designing a sewage disposal system in an area served by individual customers systems. The anticipated costs associated with this system are \$7,737,050 of which \$6,355,800 is to be funded by USDA loan proceeds and \$1,381,250 in state grants. Each member municipality has agreed to the terms of a financing contract with the District which would hold each unit responsible to their pro-rata share (Bessemer Township 26.8%) of the cost of construction.

In December of 2003, the member municipalities started to levy a special assessment on the property located within the District. These funds are to be used to cover costs during the construction period. Future costs are anticipated to be funded by user charges and special assessments.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

Bessemer Township is a member of the Gogebic Range Solid Waste Management Authority, which was created on August 6, 1987 by the Cities of Bessemer and Wakefield, and the Townships of Bessemer, Ironwood, and Marenisco as a joint venture. The purpose of the Authority is to construct and operate a solid waste transfer services to its members, other municipalities and the general public. The Authority was organized in accordance with Act 233, Public Acts of Michigan, 1955 as amended. The Authority operates under a board of directors comprised of members from the constituent municipalities.

The Authority operates independent from the member municipalities and is not considered a component unit of the Township. Separate financial statements of the GRSWMA are available at the office of the GRSWMA located on US 2, Ironwood, Michigan.

The Authority issued \$476,000 in Solid Waste Disposal System Bonds No. 1, Series 2003, in the fall of 2003 in defraying improvement costs and refinance existing indebtedness. Bonds are payable in annual installments due on February 1 of each year with interest installments at the annual rate of 4.5% a year, due on February 1, and August 1 of each year.

The Authority has entered into a contract with each of the constituent municipalities whereby the municipalities have each pledged its limited tax full faith and credit for the payment of the municipality's share of the obligation. The municipalities will be required to levy ad valorem taxes within applicable constitutional and statutory limitations on all taxable property within their boundaries to the extent necessary to make the payments required to pay principal and interest on the bonds if other funds for that purpose are not available. The Township pro-rata share would be approximately 15% of the outstanding bond balance. The Authority has been able to meet all their prior years' debt retirement payments with operating receipts. A loan amortization schedule was unavailable for disclosure purposes.

NOTE L - ACCOUNTS PAYABLE

The General Fund's accounts payable were for normal expenditures and anticipate tax refund.

The Proprietary Fund account payable balances were for normal expenditures at year-end.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE M - COMPENSATED ABSENCES

Employees are covered under a collective bargaining agreement. An employee shall be entitled to five days of vacation after 1 year of complete service. After two years of completed employment, the employee earns 7 vacation days. After five years of completed service, the employee shall be entitled to 11 days. Furthermore, each employee shall be entitled to 3 personal days per year. Two employees had earned \$1,247 in accrued benefits as of March 31, 2005.

NOTE N - REVENUE BONDS

On August 28, 1995, the Township issued \$194,000 in Sewage Disposal System Revenue Bonds to partially finance the cost of acquiring and constructing the sewage system. The bonds bear interest at the rate of 4.5% per annum, which is payable semi-annually on May 15 and October 29 of each year. As of March 31, 2005, \$185,000 of the bonds remained outstanding as follows:

Debt service charges until maturity are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 2,000	\$ 8,280	\$10,280
2007	3,000	8,167	11,167
2008	3,000	8,033	11,033
2009	3,000	7,897	10,897
2010	3,000	7,763	10,763
2011	3,000	7,627	10,627
2012	3,000	7,493	10,493
2013	4,000	7,335	11,335
2014	4,000	7,155	11,155
2015	4,000	6,975	10,975
2016	4,000	6,795	10,795
2017	5,000	6,592	11,592
2018	5,000	6,368	11,368
2019	5,000	6,142	11,142
2020	5,000	5,918	10,918
2021	6,000	5,670	11,670
2022	6,000	5,400	11,400
2023	6,000	5,130	11,130
2024	6,000	4,860	10,860
2025	7,000	4,567	11,567

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	7,000	4,253	11,253
2027	7,000	3,937	10,937
2028	8,000	3,600	11,600
2029	8,000	3,240	11,240
2030	8,000	2,880	10,880
2031	9,000	2,498	11,498
2032	9,000	2,092	11,092
2033	10,000	1,665	11,665
2034	10,000	1,215	11,215
2035	11,000	743	11,743
2036	<u>11,000</u>	<u>247</u>	<u>11,247</u>
	<u>\$185,000</u>	<u>\$160,537</u>	<u>\$345,537</u>

Bonds are subject to redemption prior to maturity on any interest payment date in inverse numerical order.

These revenue bonds are self-liquidating bonds and are not a general obligation of the Township of Bessemer, but are payable solely from the revenues of the system.

On February 11, 1997, the Township issued \$223,000 in Sewage Disposal System Revenue Bonds to partially finance the cost of acquiring and constructing the sewage system. The bonds bear interest at the rate of 4.5% per annum, which is payable semi-annually on May 15 and October 29 of each year.

Debt service charges until maturity are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 2,500	\$ 9,439	\$ 11,939
2007	2,500	9,326	11,826
2008	3,500	9,191	12,691
2009	3,500	9,034	12,534
2010	3,500	8,876	12,376
2011	3,500	8,719	12,219
2012	3,500	8,561	12,061

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	3,500	8,404	11,904
2014	3,500	8,246	11,746
2015	4,500	8,066	12,566
2016	4,500	7,864	12,364
2017	4,500	7,661	12,161
2018	4,500	7,459	11,959
2019	5,500	7,234	12,734
2020	5,500	6,986	12,486
2021	6,500	6,716	13,216
2022	6,500	6,424	12,924
2023	6,500	6,131	12,631
2024	7,500	5,816	13,316
2025	7,500	5,479	12,979
2026	7,500	5,141	12,641
2027	7,500	4,804	12,304
2028	7,500	4,466	11,966
2029	8,500	4,106	12,606
2030	9,000	3,716	12,716
2031	9,000	3,308	12,308
2032	10,000	2,880	12,880
2033	11,000	2,408	13,408
2034	11,000	1,813	12,813
2035	12,000	1,395	13,395
2036	12,000	855	12,855
2036	<u>13,000</u>	<u>293</u>	<u>13,293</u>
	<u>\$211,000</u>	<u>\$190,817</u>	<u>\$401,817</u>

Bonds are subject to redemption prior to maturity on any interest payment date in inverse numerical order. These revenue bonds are self-liquidating bonds and are not a general obligation of the Township of Bessemer, but are payable solely from the revenues of the system.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE O - CONTRIBUTIONS FROM STATE AND FEDERAL AGENCIES

In September 1973 and September 1996, the Township put on line a sewage disposal system for which they had received \$562,722 and \$581,000 in grants from various state and federal agencies. The Township has elected to reduce the "Contributions in Aid of Construction" account by the amount of depreciation on the assets acquired with these grants monies.

Data relative to this account is as follows:

	<u>Ramsay Sewer Fund</u>	<u>Anvil Sewer Fund</u>
Total Depreciation 2004-2005	\$ 24,770	\$ 19,564
Depreciation add back on Assets acquired with Grant Funds 2004-2005	\$ 14,068	\$ 14,525
Total Grants Received	\$ 562,722	\$ 581,000
Accumulated depreciation on acquired assets as of March 31, 2005	443,142	124,068
Contribution in Aid of Construction – Sewer Funds	\$ 119,580	\$ 456,932

NOTE P - CHANGES IN LONG-TERM DEBT-PROPRIETARY FUNDS

	<u>Balance 3/31/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
Proprietary Funds	\$398,500	\$ _____	\$ 2,500	\$396,000

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE Q - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township provides water and sewage services through four enterprise funds. Segment information as of March 31, 2005, follows:

	Water Fund	West End Sewer Fund	Anvil Sewer Fund	Ramsay Sewer Fund
Operating revenues	\$187,102	\$23,641	\$21,995	\$39,554
Total operating and				
Administrative exp	\$202,612	\$22,449	\$24,547	\$39,340
Depreciation expense \$	1,182	\$ 200	\$19,564	\$24,770
Operating income(loss)	(\$15,510)	\$ 1,192	(\$ 2,552)	\$ 214
Restrictive donations/grants	0	0	0	0
Operating transfers	0	0	0	0
Tax revenues	0	0	0	0
Increase (decrease) in				
retained earnings	(\$8,090)	\$ 1,334	\$3,987	\$ 5,402
Current capital contrib.	0	0	0	0
Increase (decrease) in				
fixed assets	\$ 2,162	\$ 0	\$ 0	\$ 0
Long-term debt payable				
from operating revenues	\$ 0	\$ 0	\$185,000	\$211,000
Retained-earnings				
Unreserved (deficit)	\$34,018	\$34,597	\$104,441	\$140,027

NOTE R - CONTINGENT LIABILITY

The Township has entered into various contracts with the Gogebic Range Water Authority whereby the Township has agreed to pay a substantial share of periodic payments of principal and interest on revenue bonds issued by the Authority for construction of a water supply system to serve two local units. The obligation of the Township is limited to the amount that the periodic payments may exceed the revenue or other income of the system. The total extent the Township may be liable for cannot be readily determined since additional improvements are being undertaken and additional assurances are being made. It is expected that the future revenues of the system will not be sufficient to pay annual debt payments. Amounts transferred to the Authority for annual debt payments, bond reserve requirements, and administrative fees are as follows:

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Year ended March 31, 1987	\$ 31,865
March 31, 1988	14,058
March 31, 1989	18,273
March 31, 1991	21,851
March 31, 1992	19,723
March 31, 1993	23,430
March 31, 1994	23,430
March 31, 1996	22,493
March 31, 1997	22,493
March 31, 1998	25,773
March 31, 1999	32,802
March 31, 2000	28,116
March 31, 2001	43,117
March 31, 2002	56,187
March 31, 2003	68,003
March 31, 2004	49,328
March 31, 2005	<u>54,065</u>
Totals to date	<u>\$555,007</u>

The above payments are being expense in the period the contributions have been paid.

The Township has also entered into contracts with the Bessemer Area Sewer Authority to pledge its limited tax full faith and credit for the payment of the municipality's share of the outstanding bond indebtedness. It is anticipated that the revenues of the system will be sufficient in making the debt retirement payments as they are become payable.

The Township has become a joint member with Ironwood Township in forming the Powderhorn Area Utility District (PAUD) to seek a remedy to failing septic systems located in the Powderhorn area. Engineering studies have been completed and project was let on bids. See Note K regarding Joint Ventures. It is intended that the Powderhorn Area Utility District will be self-sufficient, relying on special assessments and rate charges to fund the improvements and future operations.

The Township has made a commitment to Gogebic Range Solid Waste Management to pledge its limited tax full faith and credit in the retirement of debt obligations. The amount of bonds authorized for issuance amounted to \$ 476,000 for equipment upgrades and improvements as of October 31, 2003. The Township would be responsible for approximately 15% or \$71,000. GRSWMA past debt retirement payments have been satisfied by operating revenues and has not requested financial assistance from the Township.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE S - RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft or, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund and Enterprise Funds of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Management estimates that the amount of actual or potential claims against the Township as of March 31, 2005 resulting in a property tax appeal case will be approximately \$4,735 and the General Fund financial statements have been adjusted accordingly. Otherwise, no other matters were present which would require recognition in the financial statements of the Township. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five years.

NOTE U - OPERATING LEASE

On September 1, 2003, The Township entered into an agreement with the Gogebic Range Water Authority to lease office space located in the township hall. This is an operating lease whereby either party may terminate the lease at will. The lease calls for the Authority to pay a monthly rent of \$300 less credit for capital improvements (\$9,237) made to the real estate. The lease effective date began on January 1, 2004.

REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION

TOWNSHIP OF BESSEMER
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
Year ended March 31, 2005

REVENUES	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Current property taxes	\$242,019	\$261,034	\$19,015
Delinquent property taxes	20,500	483	(20,027)
Commercial forest reserve	11,500	21,045	9,545
Swamp taxes	50		(50)
Tax administrative fees	22,000	19,471	(2,529)
Total taxes	\$296,069	\$302,033	\$5,964
State shared revenues	107,500	110,188	2,688
Charges for services	42,500	52,492	9,992
Reimbursements	3,000	11,686	8,686
Miscellaneous	1,500	332	(1,168)
Interest income	4,500	5,313	813
TOTAL REVENUES	\$455,069	\$482,044	\$26,975
Other financing sources-Transfer from other funds		62,101	62,101
TOTAL REVENUES AND OTHER FINANCING SOURCE	\$455,069	\$544,145	\$89,076

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

	Year ended March 31, 2005		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
LEGISLATIVE			
Township Board:			
Salaries		\$5,180	
Fringe benefits		11,062	
Office supplies		3,980	
Communications		4,562	
Professional fees		4,934	
Transportation		137	
Printing and publications		1,945	
Insurance		32,180	
Training		1,052	
Miscellaneous		48	
Subscriptions/dues		1,350	
Contributions		1,748	
GENERAL	\$78,000	\$68,178	\$9,822
GOVERNMENT			
Supervisor:			
Salaries		\$10,396	
Per diem		440	
Fringe benefits		4,798	
Office supplies		366	
TOTAL SUPERVISOR	\$17,800	\$16,000	\$1,800
Election:			
Salaries		\$1,083	
Office supplies		192	
Contract services			
Publications		223	
Miscellaneous		81	
TOTAL ELECTION	\$2,600	\$1,579	\$1,021

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Assessor:			
Wages		\$9,173	
Miscellaneous		50	
TOTAL ASSESSOR	\$12,700	\$9,223	\$3,477
Clerk:			
Salary		\$19,998	
Deputy clerk		133	
Per diem		360	
Fringe benefits		4,616	
Supplies		706	
Transportation		21	
Miscellaneous		20	
TOTAL CLERK	\$25,608	\$25,854	(\$246)
TOTAL BOARD OF REVIEW	\$1,000	\$172	\$828
Treasurer:			
Salary		\$17,705	
Deputy treasurer		182	
Per diem		640	
Fringe benefits		6,007	
Postage		2,130	
Supplies		523	
Transportation		789	
Contract cost		4,495	
Insurance		393	
TOTAL TREASURER	\$33,740	\$32,864	\$876

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Township Properties:			
Wages		\$18,695	
Supplies		7,193	
Utilities		17,566	
Repairs & maintenance		3,974	
Transportation		12,166	
Miscellaneous		193	
Capitol outlay		10,367	
	\$115,500	\$70,154	\$45,346
TOTAL GENERAL GOVERNMENT	\$208,948	\$155,846	\$53,102
Public Safety			
Fire:			
Wages		\$11,170	
Supplies		3,914	
Repairs & maintenance		1,796	
Miscellaneous		233	
Equipment		1,606	
TOTAL FIRE PROTECTION	\$19,500	\$18,719	\$781
TOTAL BUILDING INSPECTIONS	\$3,500	\$4,512	(\$1,012)
TOTAL ZONING	\$4,750	\$3,488	\$1,262
TOTAL PUBLIC SAFETY	\$27,750	\$26,719	\$1,031

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

	Year ended March 31, 2005		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Streets & Sidewalks			
Wages		\$4,938	
Supplies		1,524	
Streets and roads		64,457	
Miscellaneous		80	
Street lights		15,567	
TOTAL STREETS & SIDEWALKS	\$119,450	\$86,566	\$32,884
Solid Waste:			
Wages		\$31,193	
Fringe benefits		6,131	
Repairs & maintenance		5,528	
Transportation		2,467	
Miscellaneous		425	
Tipping fees		26,438	
TOTAL SOLID WASTE	\$91,700	\$72,182	\$19,518
TOTAL PUBLIC WORKS	\$211,150	\$158,748	\$52,402
Recreation and Culture:			
Parks:			
Wages		\$2,895	
Supplies		696	
Utilities		90	
Contractual costs		3,100	
Miscellaneous		244	
TOTAL RECREATION & CULTURE	\$10,800	\$7,025	\$3,775

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
COMMUNITY DEVELOPMENT	\$17,000	\$17,150	(\$150)
<hr/>			
OTHER			
Payroll taxes	\$14,500	\$12,551	\$1,949
Debt service:			
Principal	15,000	12,110	2,890
Interest		215	(215)
Miscellaneous	33,453	8,701	24,752
TOTAL OTHER	\$62,953	\$33,577	\$29,376

The accompanying notes are an integral part of the financial statements.

OTHER SUPPLEMENTAL
INFORMATION

TOWNSHIP OF BESSEMER
COMBINING BALANCE SHEETS
PROPRIETARY FUND TYPES
March 31, 2005

	<u>Water</u>	<u>West End Sewer</u>	<u>Anvil Sewer</u>	<u>Ramsay Sewer</u>	<u>Totals</u>
ASSETS					
Current Assets:					
Cash	\$60,742	\$16,554	\$5,590	\$34,557	\$117,443
Accounts receivable-net	47,524	23,917	5,426	9,956	86,823
Due from other funds	7,563	4,311	72,704	25,049	109,627
Supplies inventory (at cost)	5,835				5,835
Total Current Assets	\$121,664	\$44,782	\$83,720	\$69,562	\$319,728
Fixed Assets:					
Land	\$5,001	\$	\$	\$	\$5,001
Equipment	63,599	2,000	340	3,684	69,623
Utility plant	71,737		780,607	969,731	1,822,075
Accumulated depreciation	(124,921)	(1,100)	(165,761)	(580,942)	(872,724)
Other Assets:					
Restricted cash			51,902	43,084	94,986
Accrued interest income	36				36
Prepaid expenses					
TOTAL ASSETS	\$137,116	\$45,682	\$750,808	\$505,119	\$1,438,725
LIABILITIES AND MUNICIPAL EQUITY					
Current Liabilities:					
Accounts payable	\$17,485	\$1,644	\$133	\$1,044	\$20,306
Accrued wages/taxes	1,294				1,294
Accrued interest payable			2,776	3,177	5,953
Current maturity on LT Debt			2,000	2,500	4,500
Total Current Liabilities	\$18,779	\$1,644	\$4,909	\$6,721	\$32,053
Other Liabilities					
Due to other funds	84,319	9,441	1,526	30,291	125,577
Bonds payable			185,000	211,000	396,000
Less current portion on LT Debt			(2,000)	(2,500)	(4,500)
Total Other Liabilities	84,319	9,441	184,526	238,791	517,077
TOTAL LIABILITIES	\$103,098	\$11,085	\$189,435	\$245,512	\$549,130

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
COMBINING BALANCE SHEETS
PROPRIETARY FUND TYPES
March 31, 2005

	<u>Water</u>	<u>West End</u>	<u>Anvil</u>	<u>Ramsay</u>	<u>Totals</u>
Municipal Equity					
Contributed Capital:					
Capital grants			\$581,000	\$562,722	\$1,143,722
Less amortization of capital grants			(124,068)	(443,142)	(567,210)
Total Contributed Capital			456,932	119,580	576,512
Retained earnings	34,018	34,597	104,441	140,027	313,083
TOTAL LIABILITIES AND EQUITY	\$137,116	\$45,682	\$750,808	\$505,119	\$1,438,725

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
COMBINING STATEMENT OF INCOME AND
CHANGES IN RETAINED EARNING
PROPRIETARY FUND TYPES
March 31, 2005

	<u>Water</u>	<u>West End Sewer</u>	<u>Anvil Sewer</u>	<u>Ramsay Sewer</u>	<u>Totals</u>
Operating revenues:					
Sales to customers	\$177,052	\$23,641	\$21,995	\$39,554	\$262,242
Other revenues	10,050				10,050
Total Operating Revenues	\$187,102	\$23,641	\$21,995	\$39,554	\$272,292
Operating expenses					
Water purchased/contract cost	\$80,479	\$19,417	\$	\$472	\$100,368
Depreciation	1,182	200	19,564	24,770	45,716
Wages and taxes	25,940	925	1,747	3,891	32,503
Insurance	2,748				2,748
Utilities	6,579		1,143	6,123	13,845
Operating supplies/maintenance	20,497	690	614	3,054	24,855
Total Operating Expenses	137,425	21,232	23,068	38,310	220,035
Administrative expenses					
Wages and taxes	\$7,454				\$7,454
Contracted services	1,400	400	300	300	2,400
Office expenses	542	209	148	42	941
Transportation		502	448	484	1,434
Publications/dues	560				560
Training	439			30	469
Miscellaneous	727	106	583	174	1,590
Contributions -GRWA	54,065				54,065
TOTAL OPERATING AND ADMINISTRATIVE EXPENSES	\$202,612	\$22,449	\$24,547	\$39,340	\$288,948
INCOME (LOSS) FROM OPERATIONS	(15,510)	1,192	(2,552)	214	(16,656)
Other revenues (expenses):					
Debt service/Tap in fees	7,009			150	7,159
Interest income	411	142	345	477	1,375
Interest expense			(8,331)	(9,507)	(17,838)
NET INCOME (LOSS)	(\$8,090)	\$1,334	(\$10,538)	(\$8,666)	(\$25,960)
Provision for depreciation included in operating expenses by external restricted grants			14,525	14,068	28,593
INCREASE (DECREASE) IN RETAINED EARNINGS	(8,090)	1,334	3,987	5,402	2,633
Retained earnings 3/31/2004	42,108	33,263	100,454	134,625	310,450
RETAINED EARNING 3/31/05	\$34,018	\$34,597	\$104,441	\$140,027	\$313,083

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
March 31, 2005

	Water	West End	Anvil	Ramsay	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Income from operations for the year	(\$15,510)	\$1,192	(\$2,552)	\$214	(\$16,656)
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities:					
Depreciation	1,182	200	19,564	24,770	45,716
(Increase) decrease in:					
Account receivable	2,648	74,885	2,879	412	80,824
Due from other funds	(6,413)		(9,549)	(4,605)	(20,567)
Inventory	4,139				4,139
(Decrease) increase in:					
Accounts payable	9,887	(83,169)	(77)	(169)	(73,528)
Accrued payroll/taxes	(184)				(184)
Customers deposits					
Accrued interest			(16)	(22)	(38)
Due to other funds	16,784	3,990	169	127	21,070
Total Adjustments	\$28,043	(\$4,094)	\$12,970	\$20,513	\$57,432
Net Cash Provided by Operating Activities	\$12,533	(\$2,902)	\$10,418	\$20,727	\$40,776
 Cash Flows from Capital and related financing activities:					
Capital additions	(2,163)				(2,163)
Bond proceeds/debt service recd	7,009			150	7,159
Principal paid on bonds			(1,000)	(1,500)	(2,500)
Interest paid on bonds			(8,331)	(9,506)	(17,837)
Net cash provided (used) for capital and related financing activities	4,846		(9,331)	(10,856)	(15,341)
 Cash Flows from Investing Activities:					
Interest earned	411	142	345	477	1,375
NET INCREASE (DECREASE) IN CASH	17,790	(2,760)	1,432	10,348	26,810
Cash 3/31/2004	42,952	19,314	56,060	67,293	185,619
CASH 3/31/2005	\$60,742	\$16,554	\$57,492	\$77,641	\$212,429

The accompanying notes are an integral part of the financial statements

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Supervisor and Members of the Board
Township of Bessemer
Ramsay, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bessemer as of and for the year ended March 31, 2005, which collectively comprise the Township of Bessemer basic financial statements and have issued our report thereon dated July 7, 2005. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township of Bessemer's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit, we considered the Township of Bessemer's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements.

Reportable condition noted in our review is described as follows:

The Township did not reconcile their physical inventory to control records to ensure completeness and accuracy. The control records contain listed items which are believe no longer present or obsolete and should be adjusted for by the Township's Board.

Without an updated listing, the Township cannot monitor its holdings against various types of losses nor can procure adequate insurance coverage.

The Township should implement procedures to accomplish the final reconciliation of physical counts to the accounting records and schedule such reviews and analysis at least annually.

The Township Clerk is currently preparing the reconciliation of such data for Board action.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no other matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses except as described above. A separate letter was issued to management of Bessemer Township involving internal control matters over financial reporting that were not material weaknesses.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.

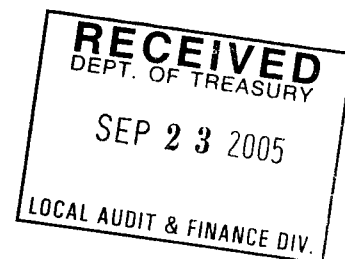


Roger J. Kolehmainen PC
Certified Public Accountant

July 7, 2005

Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
Ironwood, MI 49938
(906) 932-3600

MANAGEMENT LETTER



Township Supervisor and
Members of the Board
Township of Bessemer
Ramsay, MI

We have audited the general purpose financial statements of the Township of Bessemer, as of and for the year ended, March 31, 2005, and have issued our report dated July 7, 2005.

In planning and performing the audit of the financial statements, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing any opinion on the financial statements and not to provide assurance on the internal control structure.

During the course of our audit, certain matters have come to our attention which we feel should be addressed by management. These matters are not considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, they are areas in which management may improve its accounting and reporting system.

The following are items that have been discussed during the course of our audit with appropriate officials of the Township.

1. Property Ledger

The listing of general fixed assets and utility assets has not been reconciled with the recent physical inventory. Without reconciling, there are no assurances that the amounts and items reported upon are in fact, present and in useable condition.

It would be appropriate to complete the reconciliation process and the results presented to the Township Board for any adjustments. This may be an excellent time in identifying surplus or obsolete items to be disposed of as well.

2. The Township had cash and investments on deposit that exceed the FDIC insurance coverage should a loss be experienced. The Treasurer should be instructed to research terms with other local banking institutions in reducing the risk element. Furthermore, whenever possible, cancelled checks should be returned to the Township in providing proof of payment and to assist the audit effort.

3. In adopting the General Fund budget, the beginning Fund Balance was substantially understated, not allowing the Board or the General Public adequate information. Also, the Township Board did not adopt budgets for the Park Fund as required.

The Township Board and Supervisor may want to review Public Act 621 to ensure future compliance.

4. Various bank accounts balances did not agree with accounting records as of March 31, 2005. It appears that several prior years adjusting journal entries were not posted in allowing for the records to be posted accurately.

Bank accounts should be posted currently and reconciled with Treasurer's records to ensure accuracy.

Sincerely,



Roger J. Kolehmainen